E-Trade for Service Firms

What’s Different about “E-Trade”? 
The explosive growth of the Internet is making it possible for service firms in developing and transition economies to reach new customer groups around the world. Through this electronic medium, service firms can become visible and credible in a wide range of markets to which access has historically been difficult. While in-person contact usually increases foreign customers’ willingness to take a risk on an unknown service supplier, barriers to temporary business entry are being partly overcome by the ability to interact real-time online.

Cyberspace, the digital economy environment in which e-trade takes place, is like a new geographic market in which all globally-competitive firms need to participate. Just as you would with any new market, you need to think through what kind of presence you want, including issues like your location, staffing, etc. Initially the first step into cyberspace was to invest in website design. Now firms can get free website development through a range of different portals (see links through www.makemoneynow.com and www.freemania.com).

E-trade differs from traditional exporting not only in terms of the use of information and communication technologies but also in terms of the context in which it takes place. Because the technology supports immediate access, customers are expecting 24-hour service (known as “24x7” or 24 hours, 7 days a week). Customers have also come to expect customised, personalised service in a one-stop environment. For example, an increasing number of sites (e.g., www.wsj.com) will customise the service you receive based on your personal preferences or the way you move around the site. Once your firm becomes visible in cyberspace, your service quality will be judged in part by how well you meet these new exacting standards.

For service firms, finalising sales is just a small part of how the Internet can be used. Service firms also benefit from increased international visibility, immediate access to worldwide customers, efficient monitoring of global trends in their industry, easy research into the activities of competitors, cost savings through e-procurement, and the ability to integrate service design and delivery among departments and with partners in order to provide one-stop service.

Becoming Visible to the World as a Service Supplier 
There are several ways in which the Internet can help you in building your international credibility. First, you will want to be registered in any online directories that exist for your service. Some of these directories are standalone sites; others are embedded in broader e-market sites. Potential customers use these sites both to search for service suppliers and to verify that new suppliers are legitimate.

Second, if your firm has a registered quality management system (ISO 9000), then you will want to also register in online directories set up especially for such firms. Check out www.qaxchange.com and www.worldpreferred.com.
Third, you can participate in online discussion groups that allow you to build global networks and become viewed as an expert in your field. Many of the e-marketplaces have such discussion boards or chat rooms.

**Searching for New Customers**

Your strategy for finding business online should be linked to the manner in which you normally acquire new customers. If, for example, you get customers primarily through advertisements or directory listings, then you will want to place classified ads in relevant e-marketplaces and list your firm in all possible online directories. You may even wish to consider purchasing banner ads for placement on complementary sites.

If you usually get new business through responding to Requests for Proposal, then you will want to monitor e-procurement sites and e-marketplaces where relevant requests might be posted (e.g., www.worldbid.com). You might wish to subscribe to a bid notification service that will alert you when requests for bids that match your capabilities are being posted. You should become familiar with the reverse auction process so that you are well prepared to respond once a request for bid is posted.

If new customers normally come to you through referrals, then your online activities will need to be focused primarily on heightening your credibility. For example, you might wish to submit short articles to your industry’s e-marketplaces or participate as an expert on a site like www.advicezone.com.

**Using the Internet to Research Market Opportunities**

One of the great efficiencies that the Internet can deliver is to streamline your access to relevant information. There are a growing number of sites that offer headlines and e-newsletters to help you stay well-informed. There are an increasing number of region-specific industry e-marketplaces (check the listing of country portals at www.worldjump.com).

**Using the Internet to Deliver Services**

To succeed in e-trade, your firm will need to be able to meet the expectations of the cyberspace environment: immediacy, personalisation, and customisation. Client expectations for 24x7 service create staffing challenges for smaller firms or for firms in cultures where shift work and weekend work is unusual. Whereas in a traditional exporting environment firms could modify service offerings to fit their target customers’ cultural values, now firms have to deal simultaneously with customers from a wide range of cultural backgrounds. Any online presence must anticipate visitors from anywhere in the world. An increasing number of websites allow initial language selection (e.g., www.eu-supply.com), but further cultural adaptation is in its infancy.

Probably the greatest arena of opportunity lies in developing truly customer-centric design and delivery systems that have the ability to create customised services. Service firms can now work collaboratively with a range of partners as well as customers in shared online space in real time. This requires both internal coordination and digital links with external partners. Internally, intranets and groupware are being used to help staff coordinate across departments to serve customers’ needs. Externally, extranets are being used to create joint digital work space where you can interact with both partners and customers.

One critical challenge is the integration of multiple channels of delivery. Most service firms began as brick-and-mortar firms and have clientele who do not yet use information and
communication technologies other than e-mail. For the near term, such firms will have to provide both technology-enabled, integrated services as well as technology-neutral services. In addition, service firms need to ensure that customers will get the same quality of service whether they make contact online, by e-mail, by phone, by fax, or by mail.

Creating a Supporting Environment
Because most service firms were created offline, they are likely to face some challenges in transitioning from brick-and-mortar to brick-and-click. In order to be active in the digital economy, your firm will need to do five things:

a) Digitalise all administrative, transactional, and customer information so that it can be accessed electronically. You will want to choose data formats that are compatible across all departments and compatible with your partners.

b) Make sure that customers only have to give information once about themselves or their service requests.

c) Structure all customer-related databases so that they are searchable by “customer,” and not simply by “transaction.”

d) Put in place policies that ensure that any staff interacting with customers (whether in your firm or in one of your partners’ firms) have access to all relevant customer data.

e) Help all staff become comfortable with the technology by using an internal LAN to provide electronic access to a range of administrative information, including staff benefits.

One of the best ways to test your firm’s e-trade readiness is to ask yourself who is responsible for monitoring and managing the online interface with your customers and partners. If your answer is “the IT staff” rather than “the marketing staff,” then you have missed the point of cyberspace positioning.

Using the Internet to Purchase Inputs
Whether or not you currently have a website, there are several ways that you can benefit simply from Internet access.

Controlling costs through eprocurement. While a lot of media attention has been focused on sales potential on the Internet, the real financial benefits have been from access to more competitively-priced inputs. Firms report savings of up to 40 percent from online purchasing. A growing number of e-markets have been created to match businesses with the supports that they need, using one or more of the following automated online procurement processes (examples include www.buyerzone.com):

a) Classifieds
The simplest function offered is the posting of a classified ad (similar to advertising in a newspaper) indicating that a service is for sale. Any negotiation would be done offline.

b) Reverse auctions
This function is essentially a silent auction for the lowest price. Potential
customers post requests for service, along with a time limit for the auction, and then suppliers bid against each other to see who makes the most attractive offer within the set time period. See www.ants.com for an example of how this process works.

c) **Group buying**

This function pools small quantity orders and negotiates bulk purchase rates based on volume. In some instances, the buying pool remains the same. In others, firms join on a purchase-by-purchase basis (see www.ezoka.com as an example). Typically the unit price decreases as the number of committed buyers increases. As with the reverse auction, there is a time limit within which buyers must commit. Some of these sites will offer to notify your firm when a procurement bidding is underway that would be of interest to you. An example in the healthcare industry is www.medpool.com.

d) **E-purchasing**

A growing number of e-marketplaces provide online automatic ordering systems where you can create a corporate profile of preferences in order to avoid repeat data entry. As a manager, you can use these applications to set budgets, track spending online, and enforce purchasing policies.

e) **E-clearinghouses**

There are also e-marketplaces that will allow you to bid for time-sensitive inventory, such as hotel rooms and airline tickets, and obtain them for at least 20-30 percent below the going market rate. Typically there are restrictions, such as being able to pick the travel day but not the time. See www.priceline.com and www.hotwire.com for examples.

Your service firm can take advantage of the online bidding process not only to find new suppliers or one-time deals, but also as leverage to negotiate better terms with your current suppliers. First, you can see if the prices you are currently paying to your suppliers are at the going market rate. Second, if you already have dependable suppliers but their prices are higher than the online quotes you receive, you can share those quotes with your regular suppliers and see if they will match the lower price.

**Sourcing contract workers.** The whole process of identifying and recruiting temporary staff has changed. It is now possible to advertise online, search resumes online, and interview staff real-time in online chat rooms. Telework is increasing in popularity and sites like www.outsource2000.com provide a range of support services.

**Making Sure You Have a Competitive Online Presence**

Finally, there is the issue that service firms’ web presence is being used as a proxy for service quality. In order to be seen as reputable suppliers, web presence access needs to be fast and reliable. Fast access speed is becoming increasingly important not only because people become impatient but also because the files to be downloaded continue to grow in size as they become graphics-rich.

There are a growing number of sites where you can find self-assessments to help you determine your competitiveness. Usually these are sites for consulting firms, like PriceWaterhouseCoopers (www.ebusinessis business.com). There are also sites that rate websites in terms of a range of service features (see, for example, www.neth2b.com, www.cio.com, www.informationweek.com, www.zdnet.com/ecommerce). Even if you don’t
currently have a website, these ratings can give you information about what service design and delivery features are most important to your customers. If you do have a website through which you believe you deliver an excellent service, you can nominate your website for review and rating.

The two issues that have received the most publicity are privacy of customer information and the security of online data. You will need to develop a privacy of information policy and post it on your website. For such policies to be meaningful, staff training in the purpose and implementation of the policy is critical. See Truste (www.truste.org) and the Electronic Frontier Foundation (www.eff.org) for more information. Regarding security, an increasing number of websites are carrying icons indicating a security rating for the site (see programs like Secure Assure, https://www.secureassure.org, or VeriSign, https://digitalid/verisign.com). To some extent, concerns about online financial transactions are not necessary as financial institutions have been transmitting financial data online for some time. If your firm does need to receive payment for services over the Internet, consider outsourcing that transaction function to a financial institution that is equipped to ensure data integrity.

Planning Your Transition to E-Trade

If your firm is not yet active in e-business or e-trade, consider the following steps for getting started:

#1: Identify the key e-marketplaces for your services, subscribe to any free e-newsletters, and actively participate in discussion groups.

#2: Register in as many free databases or in as many e-marketplaces as possible and then monitor what new customer queries you receive.

#3: Select a couple of online e-procurement sites and monitor the bidding that takes place for services like your own. Test the procurement process by making small purchases and bidding on small contracts.

#4: Study your customers’ needs and expectations. In what ways do they use the Internet? What kinds of online interactive contact do they expect? What portals or e-marketplaces do they visit? Where do they search for expertise? Do they expect a one-stop, 24x7 service? What are the implications for the type of web presence you need to have?

#5: Study your competitors’ offerings. Are they already online? If so, in which e-marketplaces are they active? What types of customer interaction do they offer? What are the implications for your own strategy?

#6: Review current best practices for innovative ideas. If you have a website already, test it against best practices.

#7: Review your own service design and delivery for one-stop integrated service possibilities. Talk with your partners about how to integrate multiple delivery channels. Determine what changes, if any, you wish to make.

#8: Determine what you wish to achieve in terms of e-trade with an online presence, and establish performance metrics to see if you are meeting your objectives.
#9: Design (or redesign) your online presence to reflect what you have learned in Steps #1-8, and staff it as you would an additional office.

#10: Measure your e-trade performance, using the performance metrics you have established, and make any changes needed.